

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Mark Acton, Vice Chairman;
Tony Hammond; and
Nanci E. Langley

Periodic Reporting
(Proposal One)

Docket No. RM2017-5

ORDER ON ANALYTICAL PRINCIPLES USED IN PERIODIC REPORTING
(PROPOSAL ONE)

(Issued August 15, 2017)

I. INTRODUCTION

On June 7, 2017, the Postal Service filed a petition pursuant to 39 C.F.R. § 3050.11, requesting that the Commission initiate a rulemaking proceeding to consider a proposal (Proposal One) to change an analytical method approved for use in periodic reporting.¹ Proposal One seeks to revise the reporting methodology for insured, Collect on Delivery (COD), and registered mail extra services associated with domestic mailpieces bearing PC Postage indicia. Petition, Proposal One at 3. The proposed methodology replaces the statistical sampling estimates provided by the Origin-Destination Information System – Revenue, Pieces, and Weight (ODIS-RPW) with

¹ Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytical Principles (Proposal One), June 7, 2017, at 1 (Petition). The Postal Service filed an errata to the Petition. Notice of the United States Postal Service Regarding Revised Cover Sheet to the Proposal One Petition – Errata, June 26, 2017.

census transactional data. *Id.* For the reasons discussed below, the Commission approves Proposal One.

II. PROCEDURAL HISTORY

On June 14, 2017, the Commission issued a notice initiating this proceeding, providing for the submission of comments, and appointing a Public Representative.² The Public Representative filed a motion for issuance of an information request, pursuant to 39 C.F.R. § 3001.21(a) and 39 C.F.R. § 3007.3(c) on June 26, 2017.³ Chairman's Information Request No. 1 was issued on June 27, 2017.⁴ Chairman's Information Request No. 2 was issued on July 5, 2017.⁵ The Postal Service responded to CHIR No. 1 and CHIR No. 2 on July 11, 2017.⁶ The Public Representative filed comments on July 19, 2017.⁷

III. PROPOSAL ONE

The Postal Service's current reporting methodology for insured, COD, and registered mail extra services activity uses several census sources in combination with statistical estimates from the ODIS-RPW probability sampling system. Petition, Proposal One at 4. Under Proposal One, the Postal Service seeks to replace sample data provided by ODIS-RPW for insured, COD, and registered mail extra services with corresponding PC Postage census data provided by reports from the Retail Data Mart (RDM). *Id.* at 5. The Postal Service notes that the ODIS-RPW system produces point

² Notice of Proposed Rulemaking on Analytical Principles used in Periodic Reporting (Proposal One), June 14, 2017 (Order No. 3959).

³ Public Representative Motion for Issuance of Information Request, June 26, 2017.

⁴ Chairman's Information Request No. 1, June 27, 2017 (CHIR No. 1).

⁵ Chairman's Information Request No. 2, July 5, 2017, (CHIR No. 2).

⁶ Response of the United States Postal Service to Questions 1-4 of Chairman's Information Request No. 1, July 11, 2017 (Response to CHIR No. 1); Response of the United States Postal Service to Question 1 of Chairman's Information Request No. 2, July 11, 2017 (Response to CHIR No. 2).

⁷ Public Representative Comments, July 19, 2017 (PR Comments).

estimates with sampling error that census information does not contain. *Id.* The Postal Service concludes that Proposal One should provide “equal or improved data quality.” *Id.* The Postal Service states that the proposed methodology will result in “a complete census source of transactional-level data of almost all PC Postage insured, COD, and registered mailpieces.” *Id.* at 6. Under the proposed methodology “almost all revenue and volume data for insured, COD, and registered mail transactions would be census derived.” *Id.* at 3.

IV. CHAIRMAN’S INFORMATION REQUESTS

CHIR No. 1 requested that the Postal Service explain the significant increases in revenue per piece for PC Postage and metered COD pieces under the proposed methodology. CHIR No. 1, questions 1, 2. CHIR No. 1 also sought details on the differences between the Postal Service’s In-Office Cost System (IOCS) and ODIS-RPW regarding the coefficients of variation (CVs), sample sizes, and confidence intervals for COD, the implications of switching from a sampling system to census data on remaining volumes in the ODIS-RPW sampling system, and the remaining proportions of volume in the OIDS-RPW sampling system. CHIR No. 1, questions 3, 4. CHIR No. 2 requested supporting calculations and spreadsheets for Table A in the Petition. See CHIR No. 2.

The Postal Service responded to CHIR No. 1 by noting that ODIS-RPW “tends to produce an underestimate for very rare items.” Response to CHIR No. 1, question 1. The Postal Service notes that in FY 2016, fewer than 20 COD pieces per quarter were recorded nationwide. *Id.* The Postal Service also stated that COD sample data are difficult to process because the rate indicia often includes revenue for the parent piece, the COD service, and also any other extra services purchased. *Id.*

In its response to CHIR No. 1, question 2, the Postal Service stated that the sample design for ODIS-RPW has remained virtually unchanged since the last full documentation was presented in Docket No. R2006-1. Furthermore, the Postal Service averred that better estimates of COD extra services cannot practically be obtained from

any changes to the sampling procedures, given that there are relatively few COD transactions in total and very few of those are captured by the ODIS-RPW sampling system. *Id.* The Postal Service also explained that the IOCS is completely different in terms of sample design and numbers of observations from ODIS-RPW and that any changes in the development of ODIS-RPW volume and revenue estimates, such as this proposal envisions, would have no effect on IOCS CVs of cost estimates. *Id.*

The Postal Service also provided workpapers with supporting calculations and data sources from its Petition in its Response to CHIR No. 2.

V. COMMENTS

The Public Representative was the only party to comment on Proposal One. The Public Representative concludes that Proposal One is reasonable. PR Comments at 3. She agrees with the Postal Service that the replacement of sampling data with census data should result in more accurate RPW estimates, especially for products and services with low volumes. *Id.* at 4. However, she comments that “the impact of Proposal One on cost coverage of affected extra services is limited because cost estimates for products/services reported in Cost and Revenue Analysis (CRA) heavily rely on In-Office Cost System (IOCS), which is another ‘primary probability sampling system,’ and is subject to sampling error.” *Id.*

VI. COMMISSION ANALYSIS

The Commission approves Proposal One. The Commission has approved several prior proposals for methodological changes to replace both ODIS-RPW sampling data and some transportation cost sampling data with census data.⁸ These prior methodology changes have concerned both determining RPW estimates of

⁸ See *e.g.*, Docket No. RM2009-10, Order No. 339, Order on Analytical Principles Used in Periodic Reporting (Proposals Three through Nineteen), November 13, 2009, at 38-39; see *also* Docket No. RM2014-4, Order No. 2101, Order on Analytical Principles Used in Periodic Reporting (Proposals Three through Nineteen, June 25, 2014, at 5, 8.

volume, revenue, and weight and for the development of costs and cost distribution. *Id.* Proposal One will reduce the number of transactions and amount of revenue that are determined from the ODIS-RPW statistical sampling system to nearly zero.⁹ Proposal One furthers the Postal Service's continuing objective of improving the data reported to the Commission by eliminating the potential for sampling errors inherent in sampling systems like ODIS-RPW. For these reasons, the Commission finds that Proposal One significantly improves the quality of the Postal Service reporting data for insured, COD, and registered mail extra services associated with domestic mailpieces bearing PC Postage indicia, pursuant to 39 C.F.R. § 3050.42.

VII. ORDERING PARAGRAPH

It is ordered:

For purposes of periodic reporting to the Commission, the changes in analytical principles proposed by the Postal Service in Proposal One are approved.

By the Commission.

Stacy L. Ruble
Secretary

⁹ The Postal Service stated that, after implementation of Proposal One, 0 percent of insurance and only 3 percent of COD and 1 percent of Registered Mail transactions and revenue would be determined by the ODIS-RPW statistical sampling system. Response to CHIR No. 1, question 3.